



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

MARIA M. OMS  
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS  
JOHN NAIMO  
JUDI E. THOMAS

August 25, 2010

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **ALMA FAMILY SERVICES CONTRACT REVIEW – A DEPARTMENT  
OF CHILDREN AND FAMILY SERVICES AND MENTAL HEALTH  
SERVICE PROVIDER**

We completed a fiscal review of ALMA Family Services (ALMA or Agency) to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and the Department of Mental Health (DMH) to provide mental health services that include interviewing program participants, assessing their mental health needs and implementing a treatment plan. The purpose of our review was to determine whether ALMA appropriately accounted for and spent Wraparound and DMH funds providing the services outlined in their County contracts.

DCFS paid ALMA on a fee-for-service basis at \$4,184 per child per month (less placement costs) or approximately \$689,000 and \$658,000 for Fiscal Years (FY) 2007-08 and 2008-09, respectively. DMH paid ALMA on a cost-reimbursement basis between \$1.98 and \$4.73 per minute of staff time (\$118.80 to \$283.80 per hour) or approximately \$5.2 million and \$6.2 million for FYs 2007-08 and 2008-09, respectively. The Agency's headquarters is located in the First District.

**Results of Review**

ALMA maintained adequate controls over cash and liquid assets and the sampled payroll and other direct Wraparound and DMH expenditures were allowable, properly

documented and accurately charged to the programs. However, ALMA charged \$30,102 and \$2,184 in questioned costs to the DMH and Wraparound Programs, respectively. In addition, ALMA did not return \$209,344 in excess Wraparound funds to DCFS and did not always comply with other County contract requirements. Specifically, ALMA:

#### DMH Program

- Charged DMH \$23,088 in undocumented expenditures. Specifically, the expenditures reported on ALMA's FY 2007-08 Cost Report exceeded the expenditures reported in their accounting records by \$23,088.

ALMA's attached response indicates that they will revise the FY 2007-08 Cost Report and reduce program expenditures by \$23,088.

- Over allocated \$7,014 to the DMH Program for indirect costs using higher allocation rates than was allowed by the Cost Allocation Plan.

ALMA's attached response indicates that they will revise the FY 2007-08 Cost Report and reduce program expenditures by \$7,014.

- Did not maintain a complete listing of fixed assets that includes the assigned individuals, item description and source of funding as required by the County contract.

ALMA's attached response indicates that they are in the process of updating the fixed asset listing and once completed will update the listing on an annual basis.

- Did not perform criminal clearances for two DMH employees. Subsequent to our review, ALMA obtained criminal clearances for the two employees.

ALMA's attached response indicates that the Agency implemented a hiring policy requiring appropriate background checks for all prospective employees.

#### Wraparound Program

- Over allocated \$2,184 for indirect costs using higher allocation rates than was allowed by the Cost Allocation Plan.

ALMA's attached response indicates that they will repay DCFS \$2,184.

At the end of each DCFS Wraparound Program year, the Agency is allowed to retain unspent funds up to ten percent of their program expenditures for future Wraparound Program use and return any funds in excess of ten percent to the County. For the

program year ending April 30, 2008, ALMA's unspent Wraparound funds in their reserve account totaled \$251,679 and program expenditures totaled \$423,350. As a result, ALMA is allowed by the County contract to reserve \$42,335 (10% of \$423,350) for future Wraparound use and is required to return the \$209,344 (\$251,679 - \$42,335) in excess funds to DCFS.

ALMA's attached response indicated that the Agency will repay DCFS \$209,344 upon receipt of DCFS invoice.

We have attached the details of our review along with recommendations for corrective action.

### **Review of Report**

We discussed the results of our review with ALMA, DMH and DCFS. In the attached response, the Agency concurred with our recommendations and agreed to reduce their FY 2007-08 DMH Cost Report by \$30,102 (\$23,088 + \$7,014) and repay DCFS \$211,528 (\$2,184 + \$209,344). DMH and DCFS will follow-up to ensure that the recommendations are implemented.

We thank ALMA management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Patricia S. Ploehn, Director, Department of Children and Family Services  
Avelino Villanueva, Chair, ALMA  
Dr. Jean Champommier, Executive Director, ALMA  
Public Information Office  
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS  
ALMA FAMILY SERVICES  
FISCAL YEARS 2007-08 AND 2008-09**

**BACKGROUND/PURPOSE**

Under the Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) Program, ALMA Family Services (ALMA or Agency) provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with the Department of Mental Health (DMH), ALMA provides mental health services, which include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan.

The purpose of the fiscal review of DCFS' Wraparound Program and mental health services was to determine whether ALMA appropriately accounted for and spent Wraparound and DMH funds providing the services outlined in their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

**UNSPENT WRAPAROUND REVENUE**

ALMA's Wraparound contract with DCFS allows the Agency to retain unspent revenue up to ten percent of their operating expenditures. The Agency is required to place the excess funds in a reserved account for future Wraparound Program expenditures. Any funds in excess of ten percent are required to be returned to the County.

For the program year ending April 30, 2008, ALMA's unspent Wraparound funds in their reserve account totaled \$251,679 and program expenditures totaled \$423,350. As a result, ALMA is allowed to reserve only \$42,335 (10% of \$423,350) for future Wraparound use and is required to return the \$209,344 (\$251,679 - \$42,335) in excess funds to DCFS as required by the County contract.

**Recommendation**

1. **ALMA management repay DCFS \$209,344.**

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

**Verification**

We interviewed ALMA management and reviewed the Agency's financial records. We also reviewed three bank reconciliations for January 2009.

**Results**

ALMA maintained adequate controls to ensure that revenue, cash and liquid assets were properly recorded and deposited in a timely manner.

**Recommendation**

None.

**COST ALLOCATION PLAN****Objective**

Determine whether ALMA's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Agency's Cost Allocation Plan and selected a sample of expenditures from Fiscal Year (FY) 2007-08 to ensure that expenditures were appropriately allocated to the Agency's programs.

**Results**

ALMA's Cost Allocation Plan was prepared in compliance with the County contract. However, ALMA over allocated \$2,184 to the Wraparound Program and \$7,014 to the DMH Program for indirect costs using higher allocation rates than allowed by their Cost Allocation Plan.

**Recommendations**

**ALMA management:**

- 2. Repay DCFS \$2,184.**
- 3. Revise the FY 2007-08 Cost Report to reduce the reported program expenditures by \$7,014 and repay DMH for any excess amounts received.**

4. Ensure that indirect costs are appropriately allocated among all benefited programs in accordance with the Cost Allocation Plan.

### **EXPENDITURES**

#### **Objective**

Determine whether the DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

#### **Verification**

We interviewed Agency personnel and reviewed financial records and documentation to support five Wraparound expenditures totaling \$7,529 and 21 DMH expenditures totaling \$64,971 between July 2008 and January 2009.

#### **Results**

ALMA's expenditures were allowable, properly documented and accurately billed.

#### **Recommendation**

None.

### **FIXED ASSETS**

#### **Objective**

Determine whether fixed asset and equipment depreciation costs charged to the DMH and Wraparound Programs were allowable under the County contract, properly documented and accurately billed.

#### **Verification**

We interviewed staff and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed 93 items with depreciation costs totaling \$11,247 that the Agency charged to the Wraparound and DMH Programs during FY 2007-08.

#### **Results**

The depreciation costs charged to the Wraparound and DMH Programs were allowable, properly documented and accurately billed. However, ALMA did not maintain a complete listing of fixed assets that includes the assigned individuals, item description and source of funding as required by County contract.

**Recommendation**

5. ALMA management maintain a complete fixed asset listing that includes the assigned individuals, item description and sources of funding.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound Programs. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced the payroll expenditures for 20 employees totaling \$38,582 to the payroll records and time reports for the pay period ending January 23, 2009. We also interviewed 18 employees and reviewed personnel files for the 20 employees.

**Results**

ALMA's payroll expenditures were appropriately charged to the DMH and Wraparound Programs. However, ALMA did not perform criminal clearances for two DMH employees. Subsequent to our review, ALMA obtained criminal clearances for the two employees.

**Recommendation**

6. ALMA management ensure that criminal clearances are obtained for all staff working on the County contract and maintained on file.

**COST REPORT****Objective**

Determine whether ALMA's FY 2007-08 DMH Cost Report reconciled to the Agency's accounting records.

**Verification**

We traced the Agency's FY 2007-08 DMH Cost Report to the Agency's accounting records.

**Results**

ALMA's Cost Report exceeded their accounting records by \$23,088. The Agency management indicated that the discrepancy was due to clerical errors.

**Recommendation**

7. ALMA management submit a revised FY 2007-08 Cost Report to reduce the reported program expenditures by \$23,088 and repay DMH for any excess amounts received.

**PRIOR YEAR FOLLOW-UP****Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

**Verification**

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The DCFS Wraparound monitoring report was issued on May 14, 2007.

**Results**

The prior monitoring report contained two recommendations. ALMA implemented both recommendations.

**Recommendation**

None.





*Progress through Commitment to Excellence*  
*Celebrating Thirty Years of Service*

June 11, 2010

Ms. Wendy L. Watanabe  
Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
500 W Temple St., Room 525  
Los Angeles, CA 90012

**ALMA FAMILY SERVICES CONTRACT REVIEW – A DEPARTMENT OF  
CHILDREN AND FAMILY SERVICES AND MENTAL HEALTH SERVICE  
PROVIDER**

Dear Ms. Watanabe,

Relative to the fiscal review performed on Alma Family Services, please see the Agency's responses and corrective action plans for your Department's comments and recommendations below.

**I. UNSPENT WRAPAROUND REVENUE**

ALMA's Wraparound contract with DCFS allows the Agency to retain unspent revenue up to ten percent of their operating expenditures. The Agency is required to place the excess funds in a reserved account for future Wraparound Program expenditures. Any funds in excess of ten percent are required to be returned to the County.

For the program year ending April 30, 2008, ALMA's unspent Wraparound funds in their reserve account totaled \$251,679 and program expenditures totaled \$423,350. As a result, ALMA is allowed to reserve \$42,335 (10% of \$423,350) for future Wraparound use and is required to return the \$209,344 (\$251,679 - \$42,335) in excess funds to DCFS as required by the County contract.

**Recommendation**

1. ALMA management repay DCFS \$209,344.

Alma Family Services  
Response to Audit Findings and Corrective Action Plan  
June 11, 2010

Agency's Comments and Corrective Action Plan

Alma concurs and is awaiting written confirmation from DCFS on the amount that will be returned to the County. The Agency is aware of its excess funds and, at the time of the audit, this amount had already been set aside as part of a reserve account that was established for funds estimated to be returned to DCFS. Such reserve was based on the Wraparound program's revenue and expenses, and is recorded as a liability in Alma's financial statements.

II. COST ALLOCATION PLAN

Objective

Determine whether ALMA's Cost Allocation Plan is prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected a sample of expenditures from Fiscal Year (FY) 2007-08 to ensure that expenditures were appropriately allocated to the Agency's programs.

Results

ALMA's Cost Allocation Plan was prepared in compliance with the County contract. However, ALMA over allocated \$2,184 to the Wraparound Program and \$7,014 to the DMH Program for indirect costs using higher allocation rates than allowed by their Cost Allocation Plan.

Recommendations

ALMA management:

2. Repay DCFS \$2,184.
3. Revise the FY 2007-08 Cost Report to reduce the reported program expenditures by \$7,014 and DMH for any excess amounts received.
4. Ensure that indirect costs are appropriately allocated among all benefited programs in accordance with the Cost Allocation Plan.

Agency's Comments and Corrective Action Plan

Alma agrees and will re-allocate indirect costs for fiscal year ending June 30, 2008. The over allocation for the DMH and Wraparound Programs was due to a couple of small new programs added by the agency during the fiscal year, which it inadvertently missed in adding in its cost allocation plan. Per auditor's recommendation, we will repay DCFS \$2,184 and revise the FY2007-08 Cost Report to reduce the reported program expenditures by \$7,014.

Alma Family Services  
Response to Audit Findings and Corrective Action Plan  
June 11, 2010

**III. FIXED ASSETS**

**Objective**

Determine whether fixed asset and equipment depreciation costs charged to the DMH and Wraparound Programs were allowable under the County contract, properly documented and accurately billed.

**Verification**

We interviewed staff and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed 93 items with depreciation costs totaling \$11,247 that the Agency charged to the Wraparound and DMH Programs during FY 2007-08.

**Results**

The depreciation costs charged to the Wraparound and DMH Programs were allowable, properly documented and accurately billed. However, ALMA did not maintain a complete listing of fixed assets that includes the assigned individuals, item description and source of funding as required by County contract.

**Recommendation**

5. ALMA management maintain a complete fixed asset listing that includes the assigned individuals, item description and sources of funding.

**Agency's Comments and Corrective Action Plan**

ALMA maintains a fixed asset listing although it is not brought up to date on a timely basis. The agency is now in the process of updating the said listing, and moving forward, will do so on an annual basis.

**IV. PAYROLL AND PERSONNEL**

**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH and Wraparound Programs. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced the payroll expenditures for 20 employees totaling \$38,582 to the payroll records and time reports for the pay period ending January 23, 2009. We also interviewed 18 employees and reviewed personnel files for the 20 employees.

Alma Family Services  
Response to Audit Findings and Corrective Action Plan  
June 11, 2010

Results

ALMA's payroll expenditures were appropriately charged to the DMH and Wraparound Programs. However, ALMA did not perform criminal clearances for two DMH employees. Subsequent to our review, ALMA obtained criminal clearances for the two employees.

Recommendation

6. ALMA management ensure that criminal clearances are obtained for all staff working on the County contract and maintained on file.

Agency's Comments and Corrective Action Plan

Alma agrees with the recommendation. Before the audit was conducted, the Agency had actually put a Hiring Policy in place, wherein all prospective employees are required to be fingerprinted for the purpose of conducting FBI criminal background checks. The two employees mentioned above were hired before the policy was implemented.

To better ensure both the quality and integrity of the process, Alma has engaged the services of a livescan fingerprinting site authorized by the Department of Justice. Criminal clearances are maintained on each employee's file.

V. COST REPORT

Objective

Determine whether ALMA's FY 2007-08 DMH Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2007-08 DMH Cost Report to the Agency's accounting records.

Results

ALMA's Cost Report contained \$23,088 in undocumented expenditures. Specifically, ALMA's Cost Report exceeded their accounting records by \$23,088. The Agency management indicated that the discrepancy was due to clerical errors.

Recommendation

7. ALMA management submit a revised FY 2007-08 Cost Report to reduce the reported program expenditures by \$23,088 and repay DMH for any excess amounts received.

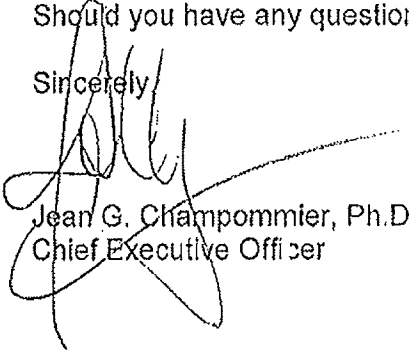
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June 11, 2010

Agency's Comments and Corrective Action Plan

Alma concurs and will revise its FY 2007-08 Cost Report accordingly. The discrepancy was due to clerical errors that were noted by management after the Cost Report was submitted.

Should you have any questions, please feel free to contact me at (323) 526-4016.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Champommier', with a long horizontal stroke extending to the right.

Jean G. Champommier, Ph.D.  
Chief Executive Officer